

Senator Lisa Murkowski
U.S. and Economic Integration in East Asia
December 5, 2007

Good morning and thank you for the invitation to be with you today.

With the conclusion of the Third East Asia Summit in Singapore this is a very timely forum, the topic of which should catch the attention of not just policy makers here in Washington, but also those states that have considerable economic ties to the region as well.

The natural tendency, when thinking of East Asia's potential economic integration from a U.S. perspective is to view it as if we're on the outside looking in. Greater economic integration in East Asia, however, does not have to be seen as a negative. It can lead to greater stability in the region and, to borrow the words of Bob Zoellick, make each nation more of a stakeholder in the region's, and the world's, economy.

And from Alaska's point of view, we are already economically integrated with East Asia.

Alaska's three largest trading partners are in Asia – Japan, South Korea, and China. Canada, the nation we share a land border with, comes in at number four.

In 1965, Alaska became the first state to open a trade office in Japan. Our timber industry in Southeast Alaska would not have started without Japanese investment.

We've been exporting coal to South Korea for 22 years. Comparatively, China is a late arriver, but Alaska's trade with China has more than quadrupled since 2002. 10% of Alaska's economy is dependent on trade, and two-thirds of that trade occurs within the Asia-Pacific region.

We are a state that is rich in natural resources, but short on manufacturing and refining capacity. For our economy to function, our raw materials must be exported to be processed. For products such as seafood, timber, and minerals, that location is often East Asia.

With that as a background, it is understandable that given our geographic location, and sometimes our political leanings, Alaskans often feel as if we are closer to Asia than to Washington, D.C., and why talks of Asian economic integration, to the potential detriment of the United States, garners our attention.

When it comes to trade, the United States' push for regional and bilateral free trade agreements was in part viewed as a way to move the rest of the world forward – to make others feel as if they would be falling behind if global talks did not progress. But with question marks surrounding the status of the Doha Round, it is not certain just how much further the international community is willing to go in trade liberalization.

We need to be sure that free trade agreements are not only economically and politically beneficial for the involved parties, but that they also fit into the United States' broader trade agenda. So a question to look at is; in which direction has our push for regional and bilateral FTAs moved Asia?

I would argue that East Asia's move to create its own economic region was in part our own doing. When we signed NAFTA, that was a wake-up call to our Asian allies about the direction of our trade policy. The push to conclude a Free Trade Area of the Americas was an even stronger signal. And the passage of CAFTA – the Central America Free Trade Agreement – only serves as confirmation.

While the Singapore FTA and pending South Korea FTA help, there is an impression that the United States is focused on the Western Hemisphere and not our Asian trading partners. As former Japanese Prime Minister Ryutaro Hashimoto said, "if the United States strengthens its posture towards forming a protectionist bloc by extending NAFTA and closing off South American and North America, then Japan will have to emphasize its position as an Asia-Pacific country...please do not force us into such a corner."

And following the Asian financial crisis of 1997-98, the United States' behavior was regarded in Asia as evidence that the region needed to take care of itself – to develop its own institutions and integrate its economy to take care of Asian nations first.

The Chairman's statement from the East Asia Summit reiterated the participants' decision to deepen regional cooperation. The statement noted that deepening economic integration is a key element in promoting regional community building. A formal report on Comprehensive Economic Partnership in East Asia is expected to be submitted at the next East Asia Summit in Thailand.

But we should also keep in mind that the Chairman's statement noted that the East Asia Summit was only a "component" of the emerging regional architecture, and would play a "complementary" role with other forums in the regions such as ASEAN and APEC. Our Asian partners are not ready to completely replace the United States in the region – at least not yet.

Japan's new Prime Minister chose the United States as the destination for his first overseas visit, reaffirming Japan's close relationship with the U.S.

A fissure remains between China and Japan. A Yomiuri Shimbun survey from this past September showed that a majority of Chinese regard Japan as the greatest military threat to them. As long as the two largest economies in Asia remain divided, the ability for East Asia to economically integrate itself will be difficult to achieve.

And as long as there is competition between nations for oil and gas, economic integration will be that much more challenging. Can you imagine if our 50 states competed with

each other for energy resources? A tempting thought as Alaska would be in a very strong position.

While it would be easy for policy makers in the U.S. to view greater economic integration within East Asia as a threat to our own trade influence in the region, it is my contention that it provides us with the opportunity to give our own trade agenda a much needed jump-start.

In 2002, when Congress granted the president Trade Promotion Authority, it was against a backdrop of concern that the U.S. was falling behind other nations in negotiating free trade agreements to obtain favorable trading conditions. At the time, the U.S. was a party to just three free trade agreements: NAFTA, Israel, and Jordan. Other nations were moving forward with trade agreements at a much faster pace.

In order to catch up, and ensure our own companies could compete in foreign markets, it was viewed as imperative for Congress to renew the President's ability to negotiate trade agreements with the assurance of consideration by Congress with an up-or-down vote.

Today, that sense of urgency has waned significantly. When the President's trade promotion authority expired at the end of June, it was met with a shrug. There is no hurry in Congress for its renewal.

If the topic of trade and Asia is brought up on Capitol Hill, it is most likely to turn to currency issues with China, beef exports to Japan and South Korea, increased sanctions on Burma, or ensuring that nations live up to their WTO commitments. In other words, talk of trade takes on a negative tone rather than an acknowledgment of what the benefits could be. And with the politics of next year's presidential election already at hand, that tone is not likely to change.

When a dominant entity in any arena – whether it be sports, business, or politics – sees its competitors gaining ground and becoming more competitive, the entity can either bicker amongst each other about whose fault it is, or they can adapt and find new ways to be a winning team. That is the challenge facing Washington today. Do we adapt, or do we bicker. So far the latter has been the approach of choice.

There is, however, a small but growing recognition that the United States' economic influence around the world is in a downward trend. The emergence and growth of China and India, both participants in the East Asia Summit, has given nations across the globe, and particularly in the East Asia region, an economic alternative to the United States for investment and market potential.

Already, New Zealand is poised to finalize a free trade agreement with China – becoming the first developed nation to do so. Yet the U.S. will not enter into FTA negotiations with New Zealand. Can you blame them or any other nation for looking elsewhere?

Don't like the strings that the U.S. ties to its foreign assistance? Some nations are more than willing to provide investment capital without requiring progress on human rights issues or government transparency.

Concerned about sanctions from the western world? As long as you have energy resources, or occupy a strategic location, countries will continue to invest.

My intent today, however, is not to point fingers, or condemn other nation's trade policies or foreign policy decisions. It is merely to note that, even without economic integration in East Asia, as economies in the region develop and expand, the United States must decide whether we are going to stand still in our trade agenda and watch others pass us by, or ramp up our engagement to maintain our relevance.

Are we going to provide our friends and allies in Asia with a reason to continue their engagement with us, or do they need to look elsewhere for their economic growth?

Over the past several years, much of Washington's focus and attention has been on the Middle East – on Iraq, Iran, and the Israeli-Palestinian peace process. All warrant attention. We have done so, however, to the detriment of our relations in Asia, and particularly Southeast Asia. We need to reengage – and that starts with our friends and allies.

I am reminded of a meeting I had with a visiting delegation from Australia. Their one basic request was: we understand there are many issues going on around the world that the U.S. must pay attention to, but please do not forget about us. And it remains a very valid point. Often, we tend to ignore our friends when things are going well to focus on the hot spots around the world, but just as important as fighting the fires is making the time to prevent unnecessary fires from starting in the first place.

If we are willing to invest in the prevention side, then the potential economic integration within East Asia does not need to be seen as a threat to the U.S. But if we do not view this as a wake-up call, then it is the United States, and states like Alaska that depend heavily on trade, who will be on the outside looking in.

Just as in 2002 when members of Congress were concerned that we were falling behind the rest of the world in our trading rights, members must again be concerned that if we don't move forward, or if protectionist steps are taken, Asian nations will have no choice but to look to other Asian nations for their trade relationships and economic development. Let's not force them into that corner.

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